



**DEPARTMENT OF THE NAVY**  
NAVAL FACILITIES ENGINEERING COMMAND  
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IN REPLY REFER TO  
ACQ 021  
20 Jun 02

MEMORANDUM FOR NAVFAC ACQUISITION PERSONNEL

Subj: SERVICE CONTRACT ACT HEALTH AND WELFARE RATES  
(02-12)

Encl: (1) OASN (RD&A) memo dtd Jun 5, 2002

1. Enclosure (1) is forwarded for your information and immediate implementation as appropriate.

A handwritten signature in black ink, appearing to read "Michael F. Howard", is positioned above the printed name.

MICHAEL F. HOWARD  
Director, Acquisition Strategic Programs



DEPARTMENT OF THE NAVY  
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JUN - 5 2002

MEMORANDUM FOR DISTRIBUTION

Subj: SERVICE CONTRACT ACT HEALTH AND WELFARE RATES

Encl: (1) Department of Labor All Agency Memorandum  
#195 dated May 17, 2002  
(2) SCA Administration Reminders

The Department of Labor (DOL) increased the Service Contract Act (SCA) lower-level health and welfare (H&W) rate from \$2.02/hour to \$2.15/hour effective June 1, 2002 (enclosure 1). The SCA lower-level H&W rate applicable to service contracts in Hawaii increased from \$.93/hour to \$.99/hour. SCA wage determinations (WDs) listing the new H&W rates will be available after June 4, 2002, on the Wage Determinations On-Line Program at <http://www.ceals.usace.army.mil>.

The higher-level H&W rate of \$2.56 per hour was not changed. SCA WDs listing the higher-level H&W rate should be used only on options, extensions, or resolicitations where the previous contract period contained an SCA WD listing the \$2.56/hour H&W rate. All other SCA-covered service contracts using Area WDs should have the lower-level H&W rate. Enclosure 2 provides some other helpful reminders related to this change.

Please share this information with all contracting personnel with responsibility for service contracting. If you have any questions regarding applicability of the new H&W rate, contact Diane Truman, Navy Labor Advisor, by telephone at (703) 602-2763, or by email at [NavyLaborAdvisor@hq.navy.mil](mailto:NavyLaborAdvisor@hq.navy.mil).

PETER M. CHASE  
Director, Policy and Resources  
Acquisition and Business  
Management

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May 17, 2002

**ALL AGENCY MEMORANDUM NUMBER 195**

**TO:** All Contracting Agencies of the Federal Government and Contracting  
Agencies of the District of Columbia

**FROM:**   
Tammy D. McCutchen  
Administrator

**SUBJECT:** Service Contract Act Health and Welfare Fringe Benefit Changes.

In accordance with the requirements of Section 4.52 of Regulations, 29 CFR Part 4, the prevailing health and welfare fringe benefits issued under the McNamara O'Hara Service Contract Act (SCA) will be increased on June 1, 2002. As prescribed by the Regulations the new benefit rate is derived from the latest Bureau of Labor Statistics Employment Cost Index (ECI) summary of **Employer Cost for Employee Compensation**. Effective June 1, 2002 the new SCA health and welfare benefit rate will be \$2.15 per hour or \$86.00 per week or \$372.67 per month.

**Solicitation/Contracts Affected**

All Invitation for Bids opened, or other service contracts awarded on or after June 1, 2002 must include an updated SCA wage determination (WD) issued in accordance with the regulatory health and welfare fringe benefit determination methodology. Contracting agencies may make pen and ink changes to their current WD if received for contracts beginning on or after June 1, and for which the updated health and welfare rates were not included. It is not required that contracting agencies request a revised WD for only a health and welfare rate change. Contracts with wage determinations currently requiring health and welfare benefits costing an average of \$2.56 per hour are not affected by this change.

**Wage Determinations for the State of Hawaii**

Under Section 2(a)(2) of the Service Contract Act, fringe benefit payments that are required by state law may not be used to satisfy the employer's fringe benefit obligations. In Hawaii, most employers are required by law to provide health insurance coverage for their employees. Therefore, employer contributions that are made to satisfy the employer's obligations under the Hawaii mandated prepaid Health Care Act may not be credited toward meeting the contractor's obligations under SCA. The SCA WD's have addressed this issue in the past by excluding the health insurance portion. Currently, most Hawaii WD's specify a health and welfare benefit amount of \$.93 per hour.

***Working to Improve the Lives of America's Workers***

Consistent with past practices, and in recognition of the fact that Hawaii law requires employers to provide health care coverage for most employees, the SCA WD's for Hawaii will continue to exclude the health insurance portion of the benefits for all employees on whose behalf the employer provides benefits pursuant to the Health Care Act. However, all employers are not required to make and, in fact, do not make contributions for certain employees under the Hawaii law. If this is the case, then the reduced fringe benefit level is not appropriate for these employees.

Therefore, effective June 1, 2002 the new SCA health and welfare fringe benefit level for Hawaii will be \$.99 per hour, or \$ 39.60 per week, or \$ 171.60 per month for all employees on whose behalf the contractor provides health care benefits pursuant to the Hawaii Health Care Act. For those employees who are not receiving health care benefits mandated by the Hawaii Health Care Act, the new health and welfare benefit rate will be \$2.15 per hour. For information regarding the Hawaii's prepaid Health Care Act please contact the Hawaii Employer's Council, Post Office Box 29699, Honolulu, Hawaii 96820-2099, telephone number 1-800-836-1511.

Some Helpful Reminders About:

Revisions to the SCA Health & Welfare (H&W) Rate

1. **Timeliness.** FAR 22.1012 addresses the applicability of revisions to SCA WDs.

Contracts Resulting from Sealed Bidding:

Revised SCA WDs **are not effective** if received by the contracting agency **less than 10 days before bid opening**, and there is not reasonable time to incorporate them into the solicitation.

Contract Actions Resulting From Other Than Sealed Bidding:

(Requests for Proposals; Modifications to Exercise Options, Extend the Term of the Contract, or Significantly Change the Scope of Work)

If a revised SCA WD is received **after award or modification**, and performance starts within 30 days from date of award or modification, the SCA WD **is not effective** for the contract action.

If performance begins more than 30 days from the date of award or modification, and the new or revised SCA WD is received after award or modification **but no later than 10 days prior to the start of performance**, the SCA WD **is effective** for the contract action.

2. **Collective Bargaining Agreements (CBAs).** The revised SCA WDs are not applicable to a contract action if, in the preceding contract period, the incumbent contractor's employees were covered by a CBA with a union. The CBA supersedes any SCA WD if the CBA was effective in the preceding contract period (reference FAR 22.1002-3 and FAR 22.1010).